



EXECUTE SUCCESSSM

Regulatory Circular RG14-141

Date: October 3, 2014

To: Trading Permit Holders

From: CBOE Business Development Division

RE: Rule 6.19, Trade Nullification and Price Adjustment Procedure

This Regulatory Circular Replaces Regulatory Circular RG14-136

On September 25, 2014, new Rule 6.19 became operative on CBOE. Rule 6.19 provides that a trade may be nullified or the price adjusted, on the terms that all parties to a particular transaction agree, provided, however, that any trade that is nullified or adjusted pursuant to this Rule be authorized by the Exchange prior to the nullification or adjustment.

Process for Mutually Agreed Nullifications or Price Adjustments Pursuant to Rule 6.19

TPHs may not update a trade record in the Continuous Trade Match (“CTM”) system pursuant to a nullification or price adjustment under Rule 6.19 without first receiving authorization from the CBOE Help Desk or CBOE Reporting Desk. However, bona-fide errors, unmatched trades, and reporting errors may continue to be handled via the CTM system without prior Exchange authorization, although notification to the Exchange may be required in the future.

Timing of Requests¹

Requests for mutually agreed nullifications or price adjustments must be submitted as soon as practicable. In addition, there is no guarantee that requests received more than 15 minutes after the close of trading will be processed.

Requests for Mutually Agreed Nullifications

Requests for mutually agreed nullifications may be made in person to the CBOE Reporting Desk or via email to the CBOE Help Desk at Rule619@CBOE.com. Requests made in person to the Reporting Desk require an OMT drop copy of the trade or a written submission that includes the following information: the executing firm and contra firm, the executing broker and the contra broker, option class/series, trade time, quantity to be nullified, original trade price, and trade ID if available. Requests made to the Help Desk must include the following information: whether the TPH making the request is the buyer or seller, the executing firm and contra firm, the executing broker and the contra broker, option class/series, trade time, quantity to be nullified, original trade price, and trade ID if available.

For requests for mutually agreed nullifications submitted to the Help Desk, please include the class and series in the subject line of the email.

¹ Only one party to a transaction needs to submit a request in the form and manner described in this Regulatory Circular.



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Requests for Mutually Agreed Price Adjustments

Requests for mutually agreed price adjustments must be made via email to the Help Desk at Rule619@CBOE.com. Price adjustment requests must include the following information: the reason for the adjustment; whether the TPH making the request is the buyer or seller, the executing firm and contra firm, the executing broker and the contra broker, option class/series, trade time, quantity to be adjusted, original trade price, requested price adjustment (if applicable), and trade ID if available.

For requests for mutually agreed price adjustments, please include the class and series in the subject line of the email.

CBOE Authorization and TPH responsibility

In connection with processing the price adjustment request, CBOE will review the adjusted price to determine if the price would have been permissible and in compliance with Exchange and Securities and Exchange Commission ("SEC") Rules related to applicable order books, the NBBO, and the BBO at the time the original transaction was executed; **however, it is incumbent upon TPHs to ensure that the adjusted price does not violate Exchange or SEC Rules as nothing in CBOE Rule 6.19 is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Exchange rules.**

OPRA and Continuous Trade Match

For Exchange-authorized nullifications or price adjustments, the Help Desk and/or Reporting Desk Staff, as applicable, will confirm the authorization with all TPHs who are party to the transaction and disseminate the appropriate cancellation and adjustment information to OPRA. If a nullification is processed by the Reporting Desk, it is the responsibility of the TPHs to update the trade record in CTM.² If a nullification is processed by the Help Desk, the Help Desk will update CTM unless otherwise indicated by the Help Desk; in which case, it is the responsibility of the TPHs to update CTM. If a price adjustment is processed by the Help Desk, it is the responsibility of the TPHs to update CTM.

Nullification or Price Adjustment Resulting from a Trading Floor Liaison Inquiry

If a TPH seeks to nullify a transaction or adjust the price of a trade pursuant to a Trading Floor Liaison ("TFL") informing the TPH of a trade-through, the TPH must follow the procedures outlined above.

Process for Adjustments Pursuant to Rule 6.52

Adjustments pursuant to Rule 6.52 do not need to follow the procedures set forth above and do not require prior Exchange authorization. Rule 6.52 provides that TPHs are bound by the price at which an order is executed notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. Adjustments pursuant to Rule 6.52 will continue to be made by submitting an OMT drop copy of the trade or completing a bust/adjust form in person at the CBOE Reporting Desk. The Reporting Desk will disseminate the appropriate cancellation and adjustment information to OPRA, but it is the responsibility of the TPHs to update CTM. In addition, the Reporting Desk will not increase the volume of an under reported trade.

Additional Information:

Additional information regarding Trade Nullification and Price Adjustment Procedures may be obtained at the CBOE Reporting Desk, or by contacting the CBOE Help Desk at 312-786-7100 or ehelpdesk@cboe.com.

² The use of CTM as contemplated by this Regulatory Circular is a permitted use of CTM.